



State of Washington
Department of Revenue

Excise Tax Advisory

Excise Tax Advisories (ETA) are interpretive statements issued by the Department of Revenue under authority of RCW 34.05.230. ETAs explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

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DEDUCTION REQUIREMENTS FOR CERTAIN LOG HAULS BY TRUCK

Issued December 3, 1990

This Excise Tax Bulletin (ETB) is a clarification of the department's position and does not change how persons who haul logs are taxed. Logs are often hauled to an export yard where the logs are prepared for shipment to another country. This ETB explains when the income from these hauls is exempt of tax. This ETB may apply to persons hauling items other than logs. All persons who haul for hire should read RCW 82.16.050 (8).

Persons who haul logs to a wharf, dock, or ship side ("export facility") may be able to deduct the income from these hauls for reporting their motor transportation tax if the following conditions are met:

- (1) The logs must eventually go by ship to another state or country.
- (2) The person who makes the last haul, not including hauls within the export facility, before the logs are put on the ship gets the deduction.
- (3) The form of the logs cannot be changed between the time the logs are delivered to the export facility and the time the logs are put on the ship. The removal of bark from the logs while the logs are at the export facility is a change in the form of the logs. It permits substantially more logs to be placed on board the vessel. Also, the bark is a separate item which does have an economic value after further processing.
- (4) The deduction is not available if the haul starts in the same city or town where the export facility is located.

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

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The log hauler must prove entitlement to the deduction. Delivery tickets which show delivery to an export facility are not, alone, sufficient proof. A statement from the export facility operator is acceptable additional proof when the operator certifies:

- (1) There will be no intervening hauls,
- (2) The logs will remain in their original form, and
- (3) All the logs will ultimately go by ship to another state or country.

The certificate may state a percentage of the logs which are delivered to the export facility that qualify for a deduction. Rather than a statement covering each haul, a "blanket statement" may be used for a six month period of time if no significant changes in operation will occur within this period of time. The following statement by an export facility operator will be acceptable:

The undersigned export facility operator hereby certifies:

That _____ percentage or more of all logs hauled by the following named trucking firm to the storage facilities at _____, the same located on tidewater or navigable tributaries thereto, will be shipped by vessel directly to an out of state or foreign destination and the following conditions will be met:

1. The logs will not go through a process to remove the bark nor will there be any other change in the form of the logs before shipment to another state or country,
2. There will be no intervening transportation of these logs from the time of receipt at the export facility until loaded on the vessel for the interstate or foreign journey.

Trucking Firm _____
Trucking Firm Address _____

Trucking Firm Revenue Registration _____

Export Facility Operator _____
Operator Revenue Registration _____
Person Giving Statement _____
Title of Person Giving Statement _____

Date _____

Examples:

1. Logs are hauled from the woods to the export facility. The export facility provides a certificate in the above form indicating that sixty percent of all logs delivered to the export facility will be shipped in there original form to Japan. The hauler may take a deduction from the motor transportation tax for sixty percent

of the gross income from this particular haul.

2. Logs are hauled to an export facility. All logs at this facility will ultimately be shipped to Japan. However, all logs will go through a process in which the bark is removed from the logs. The hauler may not claim a deduction for any portion of this haul since none of the logs remain in their original form. Removing the bark changes the form.

3. Logs are hauled from the woods to an export sorting area. At this location further sorting takes place and eighty percent of the logs are hauled approximately one mile on public roads to ship side and shipped to Japan. The other 20 percent of the logs are sold to local saw mills. The haul to the sorting yard is fully taxable because there is another haul from the sorting yard to the ship side. The haul from the sorting yard to the ship side would be deductible if it does not start and end within the corporate limits of the same city or town. The mere sorting of logs does not change their form.

4. Logs are hauled from the woods to an export facility. The export facility provides a statement indicating that the bark will not be removed or the form of the log changed in any other way and all the logs will be shipped to Japan. The hauler is aware that all logs will need to be hauled a distance of approximately one-half mile across the export facility yard to reach the ship when it arrives at the dock. The dock is located next to the large export facility. The hauler may take the deduction. Movement of the logs within the export facility is not an intervening haul.